



Australia: Sporting Goods Industry

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Summary

Sporting activity is a popular recreational pursuit in Australia and goes hand in hand with Australia's outdoor lifestyle. According to the Australian Bureau of Statistics, sports are a common form of leisure time. Over 30 percent of Australians participate in sports for recreation or exercise, with nearly half of these people participating in organized sporting activities. Sports of all types are popular in Australia.

Market Demand

Australia's love of sports is longstanding and was well-entrenched before the Sydney 2000 Olympics. With Australians becoming increasingly conscious of their health, the demand for sporting equipment will continue to increase. More attention is being devoted to exercise, which is spurring on the demand for outdoor activities. The average outlay per participant across all sports is US\$493 per year, with one of the most expensive sporting activities being golf, at an average cost of US\$622 per year.

Sporting enthusiasts in Australia range widely in both age and level of disposable income, however, participation is more prevalent in the 20-44 years age group. Males slightly outnumber females across most sports. For men the most popular organized sporting activities are golf, tennis, various forms of football (rugby, Australian Rules Football, soccer) and cricket. Fishing continues also to be of particular interest to men. The most common form of organized sporting activity for women is aerobics/fitness, followed by swimming, golf and yoga. Basketball has some following, and is far more common than either American baseball or American football (known as "gridiron"), which are both very rare.

There is a greater interest in maintaining a healthy lifestyle, which has been strengthened by events such as the Commonwealth Games in Melbourne in 2006. Government programs such as the State of Victoria Government campaign "Go for Your Life" is also encouraging people to participate in physical activities. The trend toward physical recreational pursuits is also spurred on by "fun runs" and the media coverage of national champions such as golf star Greg "the Shark" Norman.

School sport funding, which is a priority for both Federal and State Governments in Australia, is encouraging more physical activity in young people. The concern of childhood obesity is becoming widespread in Australia. According to the Australian Federal Government Department of Health around one quarter of Australian children under the age of 18 (1.5 million) are either overweight or obese. As a result, sports funding in schools is being revitalized, with the State Education Departments concentrating on sporting equipment purchases.

Market Data

MARKET SIZE FOR SPORTING GOODS (in millions \$U.S.)

	2005	2006	2007 (estimated)
Total Market Size	572	582	614
Total Local Production	376	337	355
Total Exports	39	40	41
Total Imports	235	285	300
Imports from the U.S.	50	52	55

Exchange rates

2005	0.7606	2006	0.7569	2007	0.7750
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Expected inflation rate

2007	3.0 percent
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Source: Australian Bureau of Statistics

The Australian sporting goods market is estimated at US\$582 million, with imports representing 48 percent of the market. The United States has an 18 percent share of the import market, up 4.5 percent in the past twelve months. U.S. imports in 2006 totaled US\$52 million. This industry is forecast to grow by 2.9 percent over the next three years.

Asian-based manufacturers from China and Taiwan have developed and are maintaining over 53% of the import market. In 2006, these two countries supplied US\$153 million of Australia's import market of US\$285 million. Asia will continue to maintain a considerable share of the import market, since these suppliers produce cheaper sporting equipment for use in the lower-to-middle range of the market.

The main factors contributing to the continual success of U.S. sporting equipment are the superiority and prestige associated with U.S. brands, as well as the popularity of the equipment, especially at professional and semi-professional levels.

Best Prospects

Australia offers an enviable market for sporting goods, as Australia's temperate climate enables outdoor sports participation all year. By U.S. standards, Australians appear to have more leisure time, but in fact constraints on this time -- more than climate -- are drawing more participants to sports that do not require commitment for a full season, such as team sports. Individual or less formally scheduled activities such as golf are expanding.

The U.S. continues to maintain a high reputation for quality sporting equipment among Australian athletes and sporting enthusiasts. The market provides good opportunities for reasonably priced U.S. imports that cater to the needs of athletes and schools. Spending and price points increase in correlation to individual athlete's gains in experience and ability.

Key Suppliers

Local manufacturers such as Pacific Dunlop now manufacture offshore, so they can successfully compete on price with the low cost producers located in Asia. The Pacific Brands a division of Pacific Dunlop is one of the largest local suppliers to the sporting goods industry. The Pacific Brands' range includes the Repco exercise bike. Another local manufacturer of sporting equipment is Adelaide-based H.T. Wadhurst, which produces netball, basketball and volleyball equipment, rackets, racket strings, tennis balls and baseball equipment. There are other varied local producers including the Australian Barbell Company, a specialist manufacturer of weightlifting equipment and accessories, and AOK Health, a fitness ball manufacturer.

Major U.S. sporting equipment companies that have Australian subsidiaries include Nike, Reebok and Wilson. Well-known U.S. brands Spalding and Wilson are represented here, and are particularly popular in the mid-range of the market. Leading U.S. suppliers of golf clubs and other golf supplies include Callaway, Ping, Titleist and King Cobra. Both the U.S. Gold's Gym and Key's Fitness brands of exercise bikes are distributed in Australia. The U.S. accounts for 18 percent of the sporting equipment import market, with the significant market reflecting the strong receptivity toward U.S. products.

Third-country competitors include the French-based Patrick brand, which is very popular amongst soccer and rugby enthusiasts around Australia. Patrick holds the license to supply soccer balls to both Soccer NSW and the Football Federation in Victoria. Ringmaster, a Chinese fitness product brand, is also developing a strong following throughout Australia.

Prospective Buyers

The Australian sporting goods market includes the following segments:

Educational Institutions and Sports Clubs

Schools and community clubs account for a substantial share of the sporting equipment market. Central to the Australian sporting scene are community clubs run by their members. Expenditure by this end user group is estimated at US\$28 million. Many Australian schools run near-mandatory sports programs that supplement physical education classes. A high percentage of students participate in these team sports, often on Saturdays.

Age Group 20- 44

Many in this group participate in sporting activities and are thus more likely to purchase sporting equipment. Popular sports amongst this age group include swimming, aerobics/fitness, tennis, golf and fishing activities.

Young Male Market

Males in their late teenage or early twenties who live in households of above average income influence trends in this sector. Households in the highest 20 percent income bracket spend an average of US\$2.45 per week on sporting equipment, compared to US\$0.16 spent by households in the lowest 20 percent of income bracket.

Children's Market

An estimated 1.6 million children participate in sporting activities outside school hours. Outdoor soccer is the most popular sport for boys, boasting more than 300,000 players.

Characteristics of consumers can vary from sport to sport. For example, geographical areas influence the demand for equipment. For example, rugby union and rugby league have the strongest following in the State of New South Wales.

Along with a product's performance, brand recognition is an important factor for many Australians. Many Australians base their purchasing decision on strong company or brand names. Price is a key factor for the beginner, but as the sportsman becomes more experienced, he/she is more willing to spend more on that activity.

Australians interest in sport is reflected in the number of people who watch sports on television. Of the 50 top television free-to-air programs, sports took the first six spots in 2005. Media coverage of Australian sports champions at the Melbourne Commonwealth Games and World Soccer Cup in 2006 has increased interest in sport.

Tour success at sporting tournaments and the progress of sporting celebrities drives interest in specific sports. Media coverage of professionals such as Australian golfer Robert Allenby is encouraging a younger, more diverse following. Golfers are strongly influenced by products related to success on tour (and/or use of a particular brand by professionals). Many golfers are persuaded to change once they believe their game will significantly improve with an alternative product. The success of Australian national teams on the world stage in sports such as cricket, gives an additional boost to traditionally popular sports.

As in the United States, the relationships between professional sports figures and marketing are well established. Celebrity athletes endorse sporting goods and products ranging from watches to breakfast cereal. Major brands and retail channels (such as Rebel Sport) provide sponsorship and purchase advertising during major sporting events.

Retailers play a significant role in the consumer's choice of product. As consumers rely on the expertise of the salesperson, retailers play an important part in product choice. Consumers seek knowledgeable staff that can offer advice on product features and are able to explain the advantages of each. The array and quality of merchandise are also paramount to Australian consumers. Consumers, especially those who are keen to learn more about new products, will seek a store that carries a wide range of equipment. Product lines that are competitively priced are well received, as consumers are keen to shop around to obtain value for money.

Market Entry

Specialist retailers are by far the largest retail segment offering sporting goods. Sporting goods can be purchased from specialist sporting goods retailers such as Rebel Sport and Sportsco, along with numerous independent stores distributed throughout the country. Both the Rebel Sport and Sportsco chains control a significant share of the market. Some smaller retailers have formed buying groups such Sportscene, which now has 100 stores in Victoria, New South Wales, Queensland, South Australia and Western Australia.

Department stores, such as Myer and David Jones, are also players in the sporting goods market. Myer has over 60 stores nationally, with up market department store David Jones having over 30 stores distributed throughout Australia.

Sporting equipment retailing has undergone major changes in recent years. The continued rollout of large franchised stores and chains of stores has seen the range of stock and associated costs spread across a number of network stores. With these types of stores having greater buying power, the independents are expected to face increasing competition.

Of the eight Australian states, the retail sector is dominated by the three states on the eastern seaboard: Victoria, New South Wales and Queensland. Just over three-quarters of all retail activity (employment, wages/salaries and income) takes place in this area.

Australia's distribution and sales channels for sporting goods are similar to those in other industrialized countries, with channels of distribution through the use of distributors or agents and through direct sales. As is the case in the United States, carrying out due diligence is a critical factor.

Australia is well serviced by a range of financial services offered by local and international banks. Financing practices are comparable to those in the U.S. The terms of payment are negotiable, with import financing effected through open account, commercial bills of exchange (sight and time drafts), letters of credit, and cash in advance. Usually payment terms of 30-60 days are considered the norm amongst the sporting goods industry, with letter of credit and sight drafts the most common methods.

Market Issues and Obstacles

Australia and the United States recently enacted a Free Trade Agreement (FTA). Prior to January 2005, the maximum general tariff on sporting goods was five percent. Under the FTA, these products are now duty free. When sporting goods are shipped to Australia, the goods will be subject to GST (Goods and Services Tax), which is a 10 percent broad-based tax on the sale or provision of most goods and services. While the responsibility to pay GST to the Australian Taxation Office lies with the producer/supplier, it is the consumer who finally bears the GST cost. The importer pays the GST to the Australian Customs Service.

It is an offence to import goods that have a false trade description applied. The Australian Customs Service may seize goods that do not have a prescribed trade description applied in accordance with the regulations. All listed goods require a marking as to the country in which the goods were made or produced. In addition, some goods are required to be marked with a true description of and/or a weight or quantity qualification. Such markings are referred to as a trade description.

There are numerous standards relating to sporting equipment in Australia. SAI Global publishes these standards, which can be found on the SAI website. The contact details for SAI Global are as follows:

SAI Global Limited
Sydney NSW 2001 Australia
Tel: +61 2 8206 6010 Fax: +61 2 8206 6020
Email: sales@sai-global.com Website: www.saiglobal.com

Australian Federal Law provides the registration and/or protection of intellectual property (such as patents, copyrights and trademarks). Company and business name registration is available under Corporation Law, and also under State business names registration. Laws relating to intellectual property are complex and legal advice should be obtained if a particular name, trademark or design is to be marketed in Australia.

The Federal Government agency responsible for patents, trademarks and designs is **IP Australia**. The contact details are:

Ground Floor, Discovery House
47 Bowes Street
Woden, Australian Capital Territory 2606
Australia
Tel: 61-2-6283-2999 Fax: 61-2-6283-7999
Email: assist@ipaustalia.gov.au
www.ipaustalia.gov.au

Trade Events

Australian Fitness Expo
Date: April 20-22, 2007
Location: Sydney Convention and Exhibition Centre, Darling Harbour
Website: www.fitnessexpo.com.au
Sporting goods and apparel
Regional show, with visitors from Australia, New Zealand and Asia

Melbourne Fitness Expo
Date: November 2007
Location: Melbourne Exhibition and Convention Centre
Website: www.fitnessexpo.com.au
Sporting goods and apparel
Regional show, with visitors from Australia, New Zealand and Asia

Resources and Key Contacts

Athletics Australia
Website: www.athletics.org.au

Australian Baseball Federation
Website: www.baseball.com.au

Australian Rugby Union
Website: www.rugby.com.au

Australian Soccer Association
Website: www.footballaustralia.com.au

Basketball Australia
Website: www.basketball.net.au

Cycling Australia
Website: www.cycling.org.au

Fitness Australia
Website: www.fitnessaustralia.com.au

Football Federation of Victoria
Website: www.footballfedvic.com.au

Gymnastics Australia
Website: www.gymnastics.org.au

Hockey Australia
Website: www.hockey.org.au

National Rugby League
Website: www.nrl.com.au

Professional Golfers Association of Australia
Website: www.pga.org.au

Softball Australia
Website: www.softball.org.au

For More Information

The U.S. Commercial Service in MELBOURNE/AUSTRALIA can be contacted via e-mail at: annette.ahern@mail.doc.gov; Phone: 61-3-9526-6928; Fax: 61-3-9510-4660 or visit our website: www.buyusa.gov/australia.

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